

Stefan Fina, Bastian Heider,
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Unequal Romania

Regional socio-economic disparities in Romania

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About this publication

In recent years Romania has been the fastest growing economy of the EU, but at the same time the last decade has not only been a period of economic prosperity and ongoing emigration but also of increasing spatial disparities. The economic benefits of European integration were not distributed equally across the country. Despite increasing regional disparities, the issue was hardly prioritised by political decision-makers during the last three decades. The Romanian regional disparity report identifies current spatial variations of strengths and weaknesses in light of future risks and challenges for the country and calls for new national and European policies to address the issue.

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FOREWORD

Since joining the EU in 2007, Romania has seen impressive economic growth and has managed to enter the circle of so-called high-income countries. But despite the highest growth rates within the EU, Romania remains one of the least developed European countries: The average wage is among the lowest in the EU and the share of working poor is the highest. Poor living standards are also reflected in low levels of social protection and a life expectancy that is more than five years below the EU average.

A closer look reveals that the benefits of the post-socialist transition and European integration are distributed quite unevenly and that there is strong polarisation between urban and rural areas: Whereas the capital and other larger cities could attract high levels of investment that created better jobs, in vast rural areas people find it hard to make a living. In search of better income opportunities, people leave the country by the million, making Romania a country of emigration.

The cluster analysis undertaken in this report by Stefan Fina and his team at the Research Institute for Regional and Urban Development (ILS) Dortmund in collaboration with our Romanian expert shows that in terms of living conditions, economic indicators and social well-being, Romania can be divided into four distinct regions, what we call the “Four Romanias”. A quarter of the population lives in and around Bucharest and other larger cities where the quality of life is well above the Romanian average. Another 50 per cent of the population lives in “Romania’s rural middle” as the authors put it. Those areas do not reach the same level of welfare as the dynamic urban regions. Finally, one in six Romanians lives in disadvantaged peripheral areas with very significant socio-economic challenges that lead to abandoned villages and difficulties for public authorities to provide basic public goods.

Although regional disparities are increasing, causing severe demographic and social consequences, and threatening to stoke citizens’ dissatisfaction with the country’s democratic, political and social institutions and conventions, there is no substantial public debate on how to tackle these territorial inequalities. Can we think of a development model that offers equal opportunities and high standards of living regardless of one’s place of residence? The challenge we want to highlight, for national as well as for European policymakers, is that it is impossible to provide opportunities and equality

for all individuals regardless of their economic and social background unless regional inequalities are addressed.

The results of this report underline the need to overhaul the economic and social policies on the national as well as on the EU level. The authors point to the importance of an equal level of welfare provision throughout the country. In order to achieve this they suggest changing the way regional disparities are thought of. Policies that redistribute resources at the local level and establish a better regulatory framework are crucial.

Without the intervention of the public sector, no opportunities are going to be generated. It is not only a matter of placing a stronger emphasis on the needs of lagging regions. Rather, economic development will only be sustainable if all areas develop and attain higher levels of well-being.

The same approach should be taken at the EU level; there is a need to adjust the scope of EU-cohesion policies and understand that many other European policies can help to address social and regional divides; the EU green deal, the EU strategy for the rights of the child, the EU gender equality strategy, to name a few. Regional and structural policies should be more intertwined with other policy programmes such as research and development, innovation, and industrial policy. A broader approach that promotes economic and social well-being needs to be followed with the EU addressing the issue of social and economic inequalities in all their dimensions. Possible social and economic push and pull factors of regional development should be considered in the programme and policy designs. Rather than focussing on the spatial concentration of growth and employment effects, the aim should be to attain a more balanced growth picture by forging links between dynamic growth centres and the lagging regions.

This study is part of a joint FES and FEPS project on regional socioeconomic disparities in five EU member states (Finland, Sweden, Estonia, Italy and Romania). The findings of the national disparity studies form the basis for a European analysis aiming to put forward proposals for reform of the EU approach to regional policy and enhance the EU ability to contrast the cohesion policies. Local development and well-being in all areas of a country is not only a goal for economic policy, rather it is a matter of strengthening democracy and

ensuring opportunities and participation for all. Growing spatial inequalities in many EU member states have been fueling the rise of anti-democratic movements and forces, and led to people questioning democratic and political institutions. To diffuse rising dissatisfaction, EU member states and EU institutions need to address these inequalities and follow a more balanced development strategy.

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1

INEQUALITY OF LIVING STANDARDS IN ROMANIA

At first glance, the issue of regional disparities gained less political currency in Romania as compared to the recurrent topic of urban-rural divide. A closer look reveals that discussions on social and economic regional inequalities remained either subordinated to attempts to reform state bureaucracy, or were overly technical expert conversations based on complex indicators (Sandu 2011; Zaman et al. 2013; Ionescu-Heroiu et al. 2013; Benedek et al. 2019), at times embracing explanations of cultural-historical path-dependency that may legitimise decentralisation (Sandu 2020). Importantly, these studies agree that social and economic territorial disparities increased in Romania after 1990. Equally importantly, their assertions diverge on whether or not large cities boost local regional development.

Regional disparities widened significantly after the change of the political regime in 1989. At the beginning of the 1990s, four regions registered higher GDP per capita than the national average, while in 2018 only two of them did.¹ Furthermore, while in 1993 GDP per capita fell in none of the regions below 80 per cent of the national average, by 2018 the North-East region recorded only 63 per cent of the average national GDP per capita (INS 2020). The fastest growing region of Bucharest-Ilfov started with 136 per cent of the national average in 1993 to reach 227 per cent by 2018. In terms of inter-regional gaps, one should note that while in 1993 the poorest region, the North-East, had 59 per cent of the GDP per capita of the most developed region, Bucharest-Ilfov, by 2018 this ratio dropped to 27 per cent.² The reports of the National Institute for Statistics reveal that these economic disparities are consistent with other dimensions of inequality, such as life expectancy, employment and unemployment rates, schooling, private and public material resources (Sandu 2011).

1.1 URBAN HUB MODEL OF DEVELOPMENT

Turning to the question of whether large cities serve as engines for regional development, some authors assume that the higher economic development of the most “competitive” cities would create ripple effects that would enhance the situation of their region, even outside of the metropolitan area (Ionescu-Heroiu et al. 2013). Others reveal how the political decision to invest governmental and European funds primarily in the so-called growth pole cities, that subsequently had better possibilities to capitalise their spatial connectivity and infrastructure, widened regional economic inequalities after EU integration (Benedek et al. 2019). Recent empirical evidence highlights that localities’ spatial proximity to better developed large cities as such does not necessarily increase the probability of their better development, but rather the specific urban region they belong to influences their level of local human development (Sandu 2020).

Thus, not only regional differences remain significant, but intra-regional local human development disparities also vary by region. For urban localities, proximity and connectivity to other cities and towns has significant positive effects on local human development, whereas for rural localities the rate of commuting employees holds the strongest positive effect (Sandu 2020). Furthermore, social and spatial marginalisation in rural areas significantly varies by region: the North-East region has twice as many inhabitants living in marginalised rural areas (11.3 per cent) as compared to the national average (6.2 per cent), while the Centre region also registers a higher share (8 per cent) with the important difference that in the latter case most of these marginalised areas are predominantly inhabited by ethnic Roma (Teşliuc et al. 2015: 38).

Thus, in the latter areas, the consequences of impoverishment and segregation are worsened by ethnic profiling and prejudice. In turn, even the most developed cities have severely deprived areas (Swinkels et al. 2016), often home to the most disadvantaged segments of the Roma community. Location in large and fast-growing cities such as Bucharest or Cluj-Napoca might accelerate processes of gentrification and peripheralisation of poverty that disproportionately affect the Roma (Vincze et al. 2014, 2019).

¹ In 1993, the four regions with GDP per capita higher than the national average were: Centre, Bucharest-Ilfov, South-East and West. In 2018, the two regions were Bucharest-Ilfov and West (INS 2020).

² Authors’ computations based on data provided by the Tempo online dataset (INS 2020).

1.2 LOW-INCOME REGIONS

Zooming out from the national to the European level, one should note that in 2017, 10 years after Romania's EU integration, the European Commission (EC) issued a report on EU regions that "lag behind" at the initiative of Corina Crețu, at the time Commissioner for Regional Policy. The report draws a distinction between "low-growth" regions, located mostly in Southern European member states, and "low-income" regions, located mostly in new member states from Eastern Europe, that experience lower wages despite high GDP growth. Romania had five such low-income regions, namely North-East, North-West, South-East, South-Muntenia, and South-West Oltenia. Importantly, the report converges with later findings by Benedek et al. (2019) that, in contrast to other Central and Eastern European new member states, most notably Poland, Romania has invested significantly more in gross fixed capital formation (GFCF) in the relatively better-off regions than in those lagging behind. This discrepancy in GFCF has persisted throughout the period of EU integration and later until 2015 (latest available data). In 2008, when the investment rate in GFCF as per cent of GDP was highest, its value was cc. 48 per cent for non-lagging regions and only 28 per cent for those lagging behind (EC 2017: 55). These investments dropped sharply during the years of the global crisis (2009–2012) and then increased gradually, once again broadening the gap between the lagging regions and the other regions of Romania.

According to the latest Eurostat Regional Yearbook (2020), among the NUTS-2 regions with the highest shares of people living at risk of poverty in the EU, as compared to the EU-average of 16.8 per cent, one finds the North-East region at fifth place (35.6 per cent) and South-West Oltenia at seventh place (34.3 per cent) (see Eurostat 2020: 80). While Eurostat figures disaggregated by NUTS-2 are useful for analytic purposes, Romania still lacks regional policies at NUTS-2 level, and the nodal points of government remain at the national, county and local levels. Therefore, county-level indicators and clusters of counties with similar socio-economic profiles and comparable political participation serve better the purposes of policymaking.

As a country at the semi-periphery of global capitalism, Romania is both a country of labour outmigration in search of better paid employment, and a country of capital investment, increasingly important within transnational production chains and for business process outsourcing. Some counties or regions might show lower GDP per capita, yet still have relatively good living standards due to the remittances sent home by transnational workers. In turn, other counties or regions might appear as more productive, with higher GDP per capita, yet suffer from high income inequalities and difficulties in making ends meet among minimum wage earners, especially in cases when they are neither home owners nor beneficiaries of the very limited stock of subsidised social housing.

1.3 LACK OF REGIONAL ADMINISTRATIVE CAPACITY

Despite statistical evidence on the widening territorial heterogeneity, public policies failed to adequately meet regional disparities and urban-rural inequalities within regions. A substantive public debate on short-term and long-term strategies to tackle territorial inequalities has not occurred yet, and investments from the central national budget into development measures in certain regions are often seen as serving political interests. EU-funded projects based on the idea of "community-led local development" (CLLD) and "local action groups" (LAG or GAL in Romanian) that grew out of the LEADER program³ in rural areas can hardly compensate for a comprehensive national strategy, especially in the least developed localities, that often face a know-how deficit as well. Problems also emerge from the fact that the Romanian development regions (NUTS II), envisaged to play an important role in European regional cohesion policies, still constitute basically non-governmental entities without any administrative authority to apply for and manage EU funds. The eight development regions of Romania were launched in 2003 by the social-democratic Ministry of Public Administration led by Octav Cozmâncă. However, they remained only territorial divisions without administrative power, following the opposition from the very same social-democratic party that initiated them. In 2011, Traian Băsescu, at the time president of Romania, came up with the proposal of territorial-administrative reorganisation of the country with eight development regions, but he failed to obtain political consensus, and also faced constitutional obstacles.⁴ His major argument, recurrent throughout his presidency, was that regional reorganisation would lead to de-bureaucratisation. The emphasis on diminishing bureaucracy and increasing efficiency remained prevalent in the mainstream political discourse despite changing governments, and it overshadowed concerns for deepening regional inequalities and the quest to tackle them (Pantazi 2020).

The problem of administrative-territorial reforms, but also that of regional disparities should be analysed in connection with question of allocations from the central national budget to the local budgets for investment projects. These include specific allocations for a variety of investments, ranging from building local or inter-county roads, bridges, water-supply and sewage to the building of schools and kindergartens. Such allocations constitute important tools to reduce regional disparities. The salience of these funds is further highlighted by the fact as of 2013 only less than one-fourth (more precisely, 650) of rural territorial-administrative units (altogether 2,860) managed to cover their own personnel costs from the revenues of their budget, coming mainly from income taxes (EFOR 2013). Unfortunately, even if it could serve as a major instrument to diminish territorial disparities, budget allocations from the central budget were framed primarily as a

³ See European Network for Rural Development, https://enrd.ec.europa.eu/leader-clld_en (27.01.2020).

⁴ The Romanian Constitution does not regard regions as territorial-administrative units.

problem of political clientelism, and the issue of tackling inequalities has remained of secondary importance.

To conclude, the issue of regional disparities was hardly prioritised by political decision-makers during the last three decades, despite large-scale public awareness of its salience and the availability of statistical evidence on its multiple dimensions. When it periodically reappeared on the political agenda, most frequently it remained subordinate to other political imperatives, such as the quest to reform the state, to improve institutional efficiency, to carry out administrative changes, to diminish bureaucracy and corruption. Thus, tackling regional disparities is regarded mainly as a likely corollary of the attempts at state reform rather than a political objective in its own right, which would require specific, well-targeted policies.

2

ROMANIA TODAY: BETWEEN HISTORICAL LEGACIES AND EUROPEAN INTEGRATION

Since its EU accession in 2007, Romania has seen remarkable and turbulent development that was characterised by massive economic growth but also by continuous population decline as well as political and economic crises. In recent years, Romania has been the fastest growing economy of the EU, with an average annual GDP growth rate of around 4.4 per cent (2007–2019). In 2019, the World Bank for the first time classified Romania as a high-income country. At the same time, Romania is still one of the least developed countries within the European Union. GDP per capita is the second lowest among all EU countries. The average life expectancy of 75.9 years is more than five years below the European average. Limited income opportunities and below average living conditions in comparison to other EU member states are amongst the reasons why Romania has been a country of emigration over the last few decades. Between 2001 and 2016, Romania's emigrant population increased from 1.3 million to 3.6 million (OECD 2019). It is now the fifth largest emigrant population in the world: At least 17 per cent of the people born in Romania no longer live in the country.

At the same time, the past decade has not only been a period of economic prosperity and ongoing emigration but also of increasing spatial disparities (Török 2019; Benedek et al. 2019). As in many other central and eastern European (CEE) countries, the economic benefits of European integration were not distributed equally across the country (Kallioras et al. 2010). The 21st-century transformation pressures of globalisation and European integration expose the Romanian economy to new drivers of inequality and divergent living conditions:

- While Romania is still one of the least urbanised countries in Europe, with less than 54 per cent of the population living in cities, economic growth is strongly concentrated in the largest cities. The highest rates of income and employment growth were achieved in Bucharest and counties including secondary or university cities such as Timișoara, Cluj, Sibiu, Brașov and Iași. This is where productive and knowledge-intensive industries form the most lucrative labour markets in Romania.
 - In contrast, vast rural areas with low population density and underdeveloped economic structures show modest income and employment growth. Limited income opportunities with a persistent traditional agricultural sector dominate in these areas. Especially the rural counties
- and border areas in the East can be characterised by low rates of wage earners in the working age population. For this reason, Romania exhibits strong polarisation between urban and rural areas.
- Many rural counties, especially in the south-eastern and north-eastern border regions, have poor access to medical care and public infrastructure. The number of family doctors per capita and the share of households connected to the public water supply in these regions are significantly below the Romanian average.
 - Most rural counties suffer from continuous population loss due to internal migration. The greatest gains from internal migration were registered in urbanised regions such as Iași⁵ and Bucharest. At the same time, permanent emigration towards Western Europe predominantly affects larger cities. As a consequence, and also due to natural population decline and suburbanisation, the speed of urbanisation in Romania is still relatively slow (Restrepo Cadavid et al. 2017; Török 2014).
 - The average life expectancy in the aforementioned urban counties as well as in some rather rural counties in the western part of Romania has increased by more than 10 years since the end of the communist regime in 1989. In contrast, life expectancy in the rural counties of the north-east increased by just five years in the same timeframe. The difference is closely associated with the diverging living conditions Romania has experienced over the last 30 years.

Additional information on social and political participation as well as educational opportunities and state action complement the dimensions of inequality and lead to an integrated assessment of Romania's framing conditions for future development. The findings need to be discussed in light of current immediate (e.g. pandemic-related) and long-term transformation needs (e.g. climate change, global integration). The report therefore identifies current spatial variations of strengths and weaknesses in light of future risks and challenges for the country. The next section explains the choice of indicators for the dimensions of inequality covered in this

⁵ Iași has a significant number of registrations from new in-migration from Moldova.

study: (1) economy, employment and the labour market; (2) educational opportunities and life chances; (3) prosperity and health; (4) state action and participation; and (5) internal migration patterns.

2.1 THE CLUSTER ANALYSIS

Most previous disparity studies on Romania focus on economic perspectives (Nica et al. 2018; Goschin 2014). This study enhances this view with a selection of indicators that portrays the strengths and weaknesses of Romania from a more comprehensive socioeconomic angle. Indicators used to capture their spatial variation and differences were chosen for their explanatory power for the topics mentioned above. They stand as proxies for unequal developments that can be associated with geographical framing conditions and interpreted in comparison with developments elsewhere in the country. Besides the choice of indicators, the spatial granularity of input data is important. Most previous research on regional disparities in Romania was based on the spatial level of NUTS II or development regions (see e.g. Surd et al. 2011; Boldea et al. 2012; Eurostat 2020). Except for the allocation of EU funds, these regions have no political or administrative competences. For this reason, counties (NUTS III regions) were chosen as areas of observation for this report, since they represent the major sphere of influence for political action and governance. Despite the fact that national and state policies as well as local decisions always interact to some degree, values for the county level show more informative value in this context than overarching administrative levels where data is aggregated and resulting averages can lead to a blurring of spatial patterns.

The methodological novelty of this report is the integrated analysis of a comprehensive set of indicators on the county level in a statistical procedure known as principal component and cluster analysis. Single indicator maps are combined into areas with similar strengths and weaknesses in comparison to the national average. The resulting map informs about a spatial typology of disparities in Romania, the Disparity Map of Romania. It is important to read the map in conjunction with accompanying statistical information on the bandwidth of indicator values that form a cluster. Moreover, a brief text interpretation portrays the visible spatial patterns with a view towards explanatory factors.⁶

1. **Demographic dependency ratio, wage earners, knowledge workers** (*Economy, employment and labour market*): The demographic dependency ratio indicates the ratio of dependent people to working age people. Higher values point towards higher demands of dependent people and higher pressure on private and public funds to support them. High values are frequently an implication of demographic ageing and out-migration of working-age people. Employment is the foundation of livelihood and social participation. The ratio of wage

earners to the population aged between 20 and 65⁷ describes the match between the economic opportunities a region has to offer and the skill levels and preferences of the local and regional workforce. Employed people usually generate the funds for dependent people through income and social insurance contributions. Beyond the pure availability of jobs, the knowledge orientation of the regional labour market is an important factor for future growth and welfare. The share of employees in knowledge industries (defined as professional, scientific, and technical services, finance and real estate) indicates the innovative power and future orientation of a regional economy.

2. **School dropout rate** (*Educational opportunities and life chances*): Education and qualification are a key precondition for job seekers to find lucrative jobs and succeed in life. The proportion of school leavers without graduation is a proxy for the share of young adults with low chances to compete on increasingly competitive and knowledge intensive labour markets. High numbers are associated with high risks of socio-economic exclusion.
3. **Life expectancy, average gross income, family doctors** (*Prosperity and health*): Regional differences in life expectancy can be interpreted as the result of regional variations in living conditions. They can be caused by welfare differences, but also by varying levels of access to healthcare and supply of medical services. Income is fundamental to covering the cost of living. Insufficient income leads to exclusion and pressure on families and/or the welfare state to cover living costs for dependent people. The number of family doctors per 100,000 inhabitants is used as a proxy for access to medical services within a region. Higher densities can be constituted by high demand, for example in regions with a high share of elderly people. Low densities may on the other hand also hint at a shortage of medical supply.
4. **Water supply, voter turnout** (*State action and participation*): Access to water is one of the fundamental human needs. The share of the population connected to the public water supply indicates to what extent the state is able to provide this essential service to all citizens. If these values are low, this pinpoints strong developmental deficits within a region and a high demand for investments to ensure basic quality of life and inclusive future development. The share of people who vote at local elections shows people's interest in democratic participation. A higher share is frequently attributed to higher levels of education and wealth: Affluent and educated people are more likely to vote. Certain "hot" topics and the specific appeal of personalities can also motivate people to vote. This can also be seen as a positive contribution to participation. Low voter turnouts can be interpreted as a sign of strong discontent with the current political system.

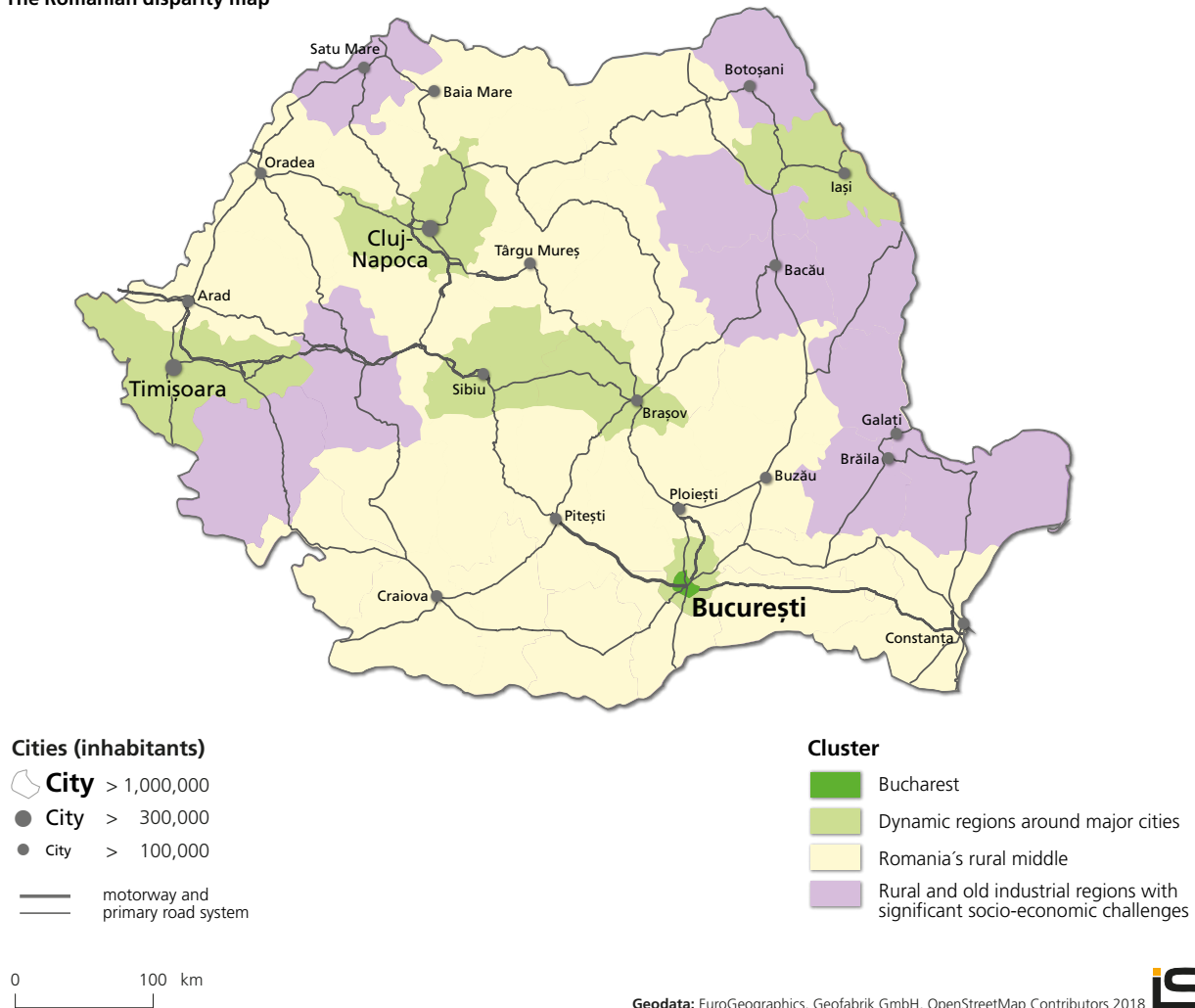
⁷ The rate of wage earners was used instead of the more common employment rate, because in Romania the employment rate includes very precarious and more or less unpaid forms of employment such as self-employment in agriculture and unpaid family labour.

⁶ In bold: indicator name; in italics: topic group.

5. **Internal migration balance, emigration rate** (*Migration*): The balance of in- and out-migration per 1,000 inhabitants can be interpreted as an indicator of spatial mismatches between people’s expectations for the realisation of life chances on the one hand, and the significance of deficiencies that motivates migration on the other. Demand and supply of infrastructure, stability of the labour market, and many cultural and societal inequalities are associated with migration patterns and the resulting population base. In this context, internal migration can be interpreted as an expression of locational preferences and the perception for desired living conditions in the Romanian population. In addition to internal migration, external migration also plays an important role for the Romanian economy. Since EU accession in 2007 and the successive implementation of the freedom of movement for workers in 2012, many and particularly young and well-educated Romanians have left the country to work in the economically more developed countries of Western Europe (Dospinescu/Russo 2018). The number of emigrants per 1,000 inhabitants was used as the indicator to analyse this phenomenon. A high surplus of emigrants in a county can result in shortages of qualified personnel on the labour market (“brain drain”).

Figure 1 shows the resulting spatial typology for Romania in the national disparity map. The clusters are semantically framed with labels derived from the interpretation of indicator values and additional information on the geography of their delineation. Table 1 gives a summary overview of indicators that characterise the single spatial types. Arrows are used to symbolise the range of indicator values (very high: ↑; high: ↗; average: ○; low: ↘; very low: ↓). In some cases, high values stand for a positive locational factor (i.e. high values for average incomes, high shares of wage earners). In others they are rather negative for life chances (i.e. high dependency ratios or high numbers of permanent emigrants per 1,000 inhabitants). For this reason an additional colour background (shades of green = rather positive or very positive; light grey: average; shades of red = rather negative or very negative) is used to indicate the assessment of values in terms of strengths or weaknesses of a region – always to be interpreted in comparison to the national averages. The combination of the disparity map and its constituting statistical values aims to help interpretation. An interactive web map allows further investigation of values for all input variables and their combined effect in the disparity map: <https://fes.de/unequal-romania>.

Figure 1
The Romanian disparity map



Source: Own illustration.
Data: Institutul National de Statistica, Serviciul de Telecomunicații Speciale.

Table 1
Spatial typology of socioeconomic disparities in Romania

Characterisation	Indicator assessment	Spatial delineation
Bucharest (1 county; 1.83 mio. inhabitants)		
<p>Similar to many other countries in Central and Eastern Europe the capital city of Romania was one of the clear winners of the post-socialist transformation processes. Due to a strong concentration of governmental power, economic activity and knowledge, Bucharest has become the economic powerhouse of Romania. Consequently, it outperforms the other regions in almost every selected indicator. But despite its outstanding economic status there is also a growing cause for concern: Voter turnout at local elections was the lowest in the country and hints at a low rate of political participation and/or a growing discontent with the political system. In addition, the rate of emigrants per 1,000 inhabitants is the highest in the country.</p>	Dependency ratio: 46.3	○
	Wage earners: 75.9%	↑
	Knowledge workers: 12.7%	↑
	School dropouts: 1.9%	↓
	Life expectancy: 78.3 yr.	↑
	Income: 6,057 LEI	↑
	Family doctors: 99.2 per 100,000 inh.	↑
	Water supply: 96.8%	↑
	Voter turnout: 35.0%	↓
	Internal migration: 30.2 per 1,000 inh.	↑
	External migration: 10.0 per 1,000 inh.	↑
Dynamic urbanised regions (6 counties; 3.64 mio. inhabitants)		
<p>The counties of Timiș, Cluj, Sibiu, Brașov, Iași and Ilfov benefit from their proximity to the largest and most dynamic cities of Romania (outside of Bucharest), indicator values are mostly higher in comparison to the Romanian average (e.g. share of wage earners, income, internal migration rate). The positive developments in these counties explain the increasing urban-rural divide within the country. This cluster can be further characterised by low demographic dependency ratios, high shares of educated workers, above-average life expectancy and good access to family doctors and the public water supply. However, there are also some indicators that show risks of exclusion and emerging socio-economic challenges. Above average rates of school dropouts, low voter turnouts and a relatively high rate of outmigration to other countries are reasons for concern.</p>	Dependency ratio: 45.4	↘
	Wage earners: 48.4%	↑
	Knowledge workers: 5.5%	↗
	School dropouts: 3.4%	↗
	Life expectancy: 76.9 yr.	↗
	Income: 4,601 LEI	↑
	Family doctors: 62.4 per 100,000 inh.	↗
	Water supply: 76.2%	↗
	Voter turnout: 44.4%	↘
	Internal migration: 31.1 per 1,000 inh.	↑
	External migration: 7.3 per 1,000 inh.	↗
Romania's rural middle (25 counties; 10.18 mio. inhabitants)		
<p>The vast majority of Romanians live in rather rural areas. These counties can be described as Romania's middle, characterised by many average values (e.g. share of wage earners, life expectancy, access to family doctors, water supply). Exceptions are the above-average demographic dependency ratio, working age people have to support more children and elderly people than in other parts of the country. The share of knowledge workers is also below the national average as are income levels. Out-migration to other Romanian regions ("internal migration"), limited job opportunities and lower levels of education prevent these areas from catching up with the country's dynamic urban agglomerations. On the positive side, counties in this cluster have a below-average school dropout rate, above-average voter turnouts, and relatively low emigration rates to other countries.</p>	Dependency ratio: 48.3	↗
	Wage earners: 32.6%	○
	Knowledge workers: 3.6%	↘
	School dropouts: 2.5%	↓
	Life expectancy: 75.7 yr.	↓
	Income: 3,696 LEI	↘
	Family doctors: 56.5 per 100,000 inh.	○
	Water supply: 62.3%	○
	Voter turnout: 51.4%	↗
	Internal migration: -10.4 per 1,000 inh.	○
	External migration: 4.0 per 1,000 inh.	↘
Rural and old industrial regions with significant socio-economic challenges (10 counties; 3.76 mio. inhabitants)		
<p>The lowest average share of wage earners, very low share of knowledge workers, low life expectancy and income levels as well as strongly negative internal net migration rates characterise the fourth cluster of the disparity map. The interaction of such deficits leads to socioeconomic disadvantages in comparison to the national average. Residents are exposed to a decline of job opportunities in old industries that date back to socialist times. Jobs in farming and agriculture are subject to transformation pressures that result in a decline of labour demand. Many of these counties are located near the eastern border of Romania and border regions in the West and Northwest. Unfavourable economic structures and peripheral locations lead to disadvantages in the process of post-socialist transformation and European integration.</p>	Dependency ratio: 45.0	↘
	Wage earners: 28.1%	↘
	Knowledge workers: 3.4%	↘
	School dropouts: 3.1%	↗
	Life expectancy: 74.8 yr.	↘
	Income: 3,593 LEI	↘
	Family doctors: 52.2 per 100,000 inh.	↘
	Water supply: 66.4%	○
	Voter turnout: 45.5%	↘
	Internal migration: -21.9 per 1,000 inh.	↘
	External migration: 7.2 per 1,000 inh.	↘

Value key:
 very high values: ↑ high values: ↗ average values: ○ low values: ↘ very low values: ↓

Source: Own illustration.
 Data: Institutul National de Statistica, Serviciul de Telecomunicații Speciale.

How to interpret: very positive positive average negative very negative

2.2 FOUR ROMANIAS

The disparity map shows that Romania can be differentiated into four spatial types with distinct socioeconomic advantages and disadvantages. These clusters are coloured in an associative way: shades of green show areas that currently fare better in the overall assessment, and appear to be better prepared for the challenges of the future – at least for the majority of people. The ochre colour shows areas that frequently have indicator values close to the national average. The violet colour is used to map out areas with a majority of negative indicator values – areas in need of dedicated policy attention. Based on this colour interpretation, the map shows basically three settings for disparities: above average, average and below average.

1. Above average: More than one quarter of Romanians (5.47 mio. people) live in the capital city **Bucharest** (dark green in figure 1) and in better-off **dynamic urbanised regions** (light green). These regions were the clear winners of the post-socialist transition and the subsequent process of European integration. All of these regions include – or in case of Ilfov are located in close proximity to – important economic centres and university cities. The existence of a well-educated workforce and the relatively good economic infrastructure in comparison to other regions are the driving factors of economic prosperity and welfare. The economic benefits of urban agglomeration have spill-over effects to other suburban or rural municipalities within these regions. Consequently, the quality of life in all of these areas is significantly better than the Romanian average. The outstanding status of Bucharest can be explained by the fact that it is by far the largest agglomeration in the country (1.83 mio. inhabitants) and its precise delineation as a separate NUTS III unit. The urban effect is therefore statistically much stronger than in other urbanised regions where average values represent a mix of urban, suburban and periurban areas. While the urbanised regions are certainly the economic powerhouses of Romania, they are also home to large shares of disadvantaged households in the low income sector. Economic growth can be accompanied by an increasing risk of social exclusion for affected households due to rising housing and living costs that can lead to segregation and displacement. The school drop-out rate supports this argument. It is higher in this cluster compared to the Romanian average. Furthermore, the average voter turnout at local elections is significantly below the Romanian average, which hints at strong discontent with the current political system and rising social tensions. Last but not least the number of permanent emigrants per 1,000 inhabitants is significantly higher than the Romanian average. This observation is associated with a loss of qualified labour that prevents the economy in these regions from reaching its full potential.
2. Average: **Romania's rural middle** (ochre colour in figure 1) is home to 10.18 million people (51 per cent of the total Romanian population). While the general living conditions in these counties represent the Romanian average, they are lagging significantly behind the dynamic urban centres of the country. This is reflected in low numbers of workers in knowledge industries and below-average income levels. Limited business opportunities and longer distances to lucrative urban labour markets drive the out-migration of job seekers. The resulting demographic decline is a significant disadvantage for the future. Structural deficiencies become evident when looking at public water supply: Almost 40 per cent of the population in these regions are not connected and therefore lack this essential basic need. At the same time, indicators like voter turnout show a high interest in local elections and stand for a higher degree of social cohesion in comparison to dynamic urbanised regions. In terms of educational levels, the average school drop-out rate is significantly below the Romanian average⁸. The cluster that constitutes Romania's rural middle is not only the largest spatial type, consisting of 25 counties, but also the most heterogeneous. It consists of some of the least developed counties such as Giurgiu and Teleorman south of Bucharest, but also industrialised regions such as Arges, one of the main production sites of the Romanian automotive industry.
3. Below average: The **rural and old industrial regions with significant socio-economic challenges** (violet colour in figure 1) with in total 3.76 mio. inhabitants and showing clear signs of the locational disadvantages of the periphery. Most of these counties are located in border regions, especially in the east. The large distances to economic centres and lucrative markets in Western Europe are significant impediments to economic development. The industrial structure of these regions is dominated by the agricultural sector and some of them were strongly affected by the downturn of old industries from communist times. Automation and continued mechanisation in agriculture add to limited opportunities for people living in this cluster. In addition, below-average voter turnouts at local elections hint at a low degree of political participation. High shares of predominantly younger people leave these regions in search for better economic opportunities and life chances in the large cities or abroad. This leads to abandoned villages and severe problems for local authorities trying to ensure the supply of basic public services. Consequently, these regions become more and more dependent upon transfer payments at the national level and rely on EU structural funds. It will require strong efforts at different levels of government to improve the living standards and to develop perspectives for a sustainable future in these regions.

This summary characterises the patterns of disparities at a glance. The definition of such spatial types also lends itself to evaluate structural and social policies in the future. For this purpose, table 2 shows the current bandwidths of indicator values accompanied by the name of the respective municipi-

⁸ This figure could be subject to some distortion due to unreported cases in rural areas, where in order to maintain public schools a minimum number of registered children is necessary.

palities with minimum and maximum values within each cluster. These statistics show that there is strong heterogeneity, especially within Romania's rural middle where some indicators are also fairly close to the values in the rural and old industrial regions with significant socio-economic challenges. For example, the lowest average income in Cluster 3 (Bistrita-

Nasaud; 3,365 LEI) is slightly lower than the lowest income in Cluster 4 (Hunedoara; 3,446). This effect is typical for an analysis of data that contains statistical outliers. The four spatial types described here therefore represent a snapshot of highly dynamic spatial inequalities in Romania.

Table 2
Bandwidth of indicator values for the spatial types

Indicator	Value	Bucharest	Dynamic urbanised regions	Romania's rural middle	Rural and old industrial regions with significant socio-economic challenges
Demographic dependency ratio Ratio of children (0–14 years) and older persons (>= 65 years) to the working age population (15–64 years)	Min.	46.3 (Bucharest Municipality)	42.6 (Ilfov)	42.2 (Gorj)	42.4 (Galati)
	Max.		48.7 (Cluj)	55.2 (Teleorman)	47.5 (Vaslui)
Wage earners Ratio of wage earners to the population aged 20–65 (%)	Min.	75.9 (Bucharest Municipality)	29.7 (Iasi)	21.2 (Giurgiu)	18.1 (Vaslui)
	Max.		57.2 (Ilfov)	45.6 (Arad)	37.8 (Hunedoara)
Knowledge Workers Share of workers in knowledge industries (%)	Min.	12.7 (Bucharest Municipality)	3.8 (Sibiu)	2.7 (Bistrita-Nasaud)	2.9 (Botosani)
	Max.		8.2 (Ilfov)	5.3 (Prahova)	4.2 (Galati)
School dropouts Proportion of school leavers without graduation (%)	Min.	1.9 (Bucharest Municipality)	2.2 (Cluj)	1.5 (Bihor)	2.3 (Galati)
	Max.		6.5 (Sibiu)	3.8 (Covasna)	4.1 (Hunedoara)
Life expectancy Life expectancy at birth in years	Min.	78.3 (Bucharest Municipality)	76.1 (Ilfov)	73.9 (Calarasi)	73.7 (Tulcea)
	Max.		77.6 (Cluj)	80.8 (Valcea)	75.8 (Neamt)
Income Average monthly nominal gross earnings (in LEI)	Min.	6,057 (Bucharest Municipality)	4,320 (Brasov)	3,365 (Bistrita-Nasaud)	3,446 (Hunedoara)
	Max.		4,952 (Cluj)	4,232 (Arges)	3,782 (Tulcea)
Family doctors Family doctors per 100,000 inhabitants	Min.	99.2 (Bucharest Municipality)	36.3 (Ilfov)	39.9 (Calarasi)	43.2 (Vaslui)
	Max.		84.7 (Timis)	78.6 (Dolj)	59.3 (Caras-Severin)
Water supply Share of households connected to the public water supply (%)	Min.	96.8 (Bucharest Municipality)	46.0 (Ilfov)	34.2 (Teleorman)	36.5 (Botosani)
	Max.		97.9 (Brasov)	85.6 (Constanta)	98.5 (Braila)
Voter turnout Average voter turnout in local elections 2016 and 2020 (%)	Min.	35.0 (Bucharest Municipality)	39.8 (Iasi)	42.0 (Covasna)	41.1 (Vaslui)
	Max.		54.1 (Ilfov)	59.8 (Giurgiu)	48.8 (Caras-Severin)
Internal migration Net internal migration balance per 1,000 inhabitants	Min.	30.2 (Bucharest Municipality)	11.0 (Sibiu)	-44.0 (Gorj)	-44.8 (Vaslui)
	Max.		59.9 (Iasi)	12.2 (Bihor)	-6.6 (Caras-Severin)
External migration Permanent emigrants per 1,000 inhabitants	Min.	10.0 (Bucharest Municipality)	2.8 (Ilfov)	1.7 (Harghita)	5.0 (Botosani)
	Max.		9.4 (Iasi)	6.5 (Bistrita-Nasaud)	9.7 (Caras-Severin)

3

NEW POLICIES FOR EQUALITY OF LIVING CONDITIONS AND SOCIAL COHESION

Improving living conditions in the regions facing cumulative problems stemming from precarious employment, low educational credentials, weak economies, and political disengagement, stands out not only as a policy emergency, but also a driver for long-term strategies of development and social cohesion. Behind the observed disparities mapped out with a finer grain of county-level data, one could unfold historical processes of “dependent development” (Ban 2014) that link the Romanian economy to broader international capital flows, but also legacies of under-investment in public services, in particular education, healthcare, and social services.

Inequality deepened after the change of the political regime and it took on new forms after the hectic deindustrialisation of the late 1990s, with high rates of long-term unemployment and return migration to the countryside in order to make ends meet in subsistence agriculture. Delayed introduction of redistributive social benefits for low income groups, poor financing for social services and education, healthcare reforms that excluded approximately one in ten adults from public health insurance (European Observatory on Health 2019: 10), the lack of effective job-creation programmes, and the almost complete privatisation of the housing stock, without sizeable social housing programmes, led to the aggravation of poverty and new forms of marginalisation that affected especially the Roma ethnic minority. The rural-urban divide served often as a lens to interpret rising inequalities in Romania. However, especially during EU-integration and following the 2009–2012 global crisis, the regional dimension gained significant weight in shaping territorial disparities.

Although one-size-fits-all policies do not work for tackling unequal development, the role of national policies is crucial both in terms of redistributing resources at the local level and establishing a national regulatory framework. Therefore, our recommendations concern first national policies, and then offer some more specific recommendations for each cluster of counties identified in the first part of the report.

3.1 MAIN RECOMMENDATIONS WITH RESPECT TO NATIONAL POLICIES

1. Enhancing inter-regional redistribution

Once acknowledged, the historical and structural causes of regional disparities, linked to the period of modernisation under state socialism, post-1989 transformations and EU integration, raise the issue of necessary inter- and intra-regional redistribution of resources. Counties with the lowest shares of better educated workers, low fixed capital investment, a large subsistence agriculture sector, and high outmigration rates could hardly ensure the functioning of crucial public institutions and infrastructure without receiving transfers from the central budget. This implies that counties with greater economic revenues, which benefited from attracting better qualified labour from the poorer regions, and also received bigger fixed capital investment following EU integration that allowed them to produce goods with higher added value, should leave some of their revenues for the central budget. The same mechanism holds true within counties, concerning disparities between better developed large cities and smaller rural administrative units, in particular those spatially peripheral to the county seats. Consequently, the issue of territorial de-centralisation ought to be handled carefully and should not be confused with the quest for local capacity building and subsidiarity. Inter- and intra-regional redistribution of resources (revenues from taxation, administrative know-how, political representation of vulnerable groups etc.) is necessary to tackle structural inequalities.

Looking at the structure of revenues by county in 2019 Romania, one can note that for 10 counties subsidies from the central budget account for more than one-fifth of their total income (Giurgiu, Mehedinți, Olt, Călărași, Teleorman, Vaslui, Bistrița-Năsăud, Brăila, Botoșani, Buzău), whereas for three additional counties their share is just below 20 per cent (Tulcea, Vâlcea, Gorj) (INS 2020). In contrast, the counties that receive the least from the central budget are Bucharest (2.6 per cent) and Ilfov (4.3 per cent), followed by Brașov, Cluj, Constanța, Timiș and Arad, with less than or equal to 10 per cent subsidies (INS 2020). The introduction of progressive income taxes, the application of higher taxes on income from financial transactions, and further differentiation of the value added tax by the nature of commodities and

services could improve the capacity of the central budget to redistribute revenues between regions without putting additional pressure on the low-income groups from the better developed regions.

2. Going greener in economic production

As compared to other EU countries, Romania has registered very little progress in terms of incentives for the circular economy and the creation of green jobs, even in the most developed regions around the so-called growth poles of Bucharest, Cluj-Napoca, Timișoara, and Iași. In November 2020, the Ministry of European Funds launched the National Plan for Improvement and Resilience, with a budget allocation of €21.4 billion for improving transport and addressing climate change, €6.5 billion for public services, urban development, and patrimony, and €5.08 billion for economic competitiveness, digitalisation, and resilience. However, the proposed measures seem rather general and they underscore the needs for serious investment in order to counter the effects of climate change. These investments would be crucial, especially in Southern and Eastern Romania, that have important agricultural sectors at risk of sharp decline due to desertification and underinvestment in irrigation and technological innovation⁹.

Agriculture constitutes a sizeable segment of the Romanian economy, with approx. 23 per cent of the workforce employed in agriculture, silviculture, and fisheries (as compared to the 4 per cent EU average) and 4.5 per cent of GDP provided by this sector in 2019 (INS 2020), as compared to the 1 per cent EU average as of 2018 (Eurostat 2020). Romania issued a mid-term (2014–2020) and long-term (2020–2030) Strategy for Research, Development, and Innovation in Agriculture and Food Production and set 2016 and 2020 as milestones for mid-term evaluation. The on-going 2016 evaluation report published by the Ministry of Agriculture and Rural Development (MADR 2017) concludes that by the end of 2016 only 5.7 per cent of the total budget of the strategy was spent, and only nine of the 15 planned measures registered completed, finalised projects (MADR 2017: 7). The most important progress was registered in the field of animal husbandry, the modernisation of animal farms and the diversification of their production, whereas other priorities, such as fostering research and innovation in agriculture, still lag behind (MADR 2017: 8). The main recommendations consist of improving technical assistance for potential beneficiaries of project-based financial grants, simplifying the bureaucracy of application and project implementation, increasing the number of support-staff and, in general, improving the regional networks of rural development. Furthermore, measures to support both the production and distribution of local agricultural products are necessary in order to shorten the commodity chain and reduce the environmental footprint of agriculture, in particular in animal husbandry.

Research remains crucial for an environmentally friendly economy. Romania issued a National Strategy for Research, Development and Innovation 2014–2020 along two lines of priorities: fostering smart specialisations relevant for economic competitiveness, and sustaining fundamental research relevant for public policies, including research in humanities and socio-economic sciences. No comprehensive evaluation of the implementation of the strategy has been published by the time of writing (December 2020). It would be meaningful to assess its impact on reducing the costs of environmentally friendly solutions for infrastructural development, transport, the manufacturing industry and agriculture, but also on the migration outflows of highly-qualified workers and brain drain affecting not only smaller towns, but also regional urban centres such as Bucharest, Cluj, Iași and Timișoara (see World Bank 2018).

3. Better labour protection

The developments on the Romanian labour market conceal behind relatively low unemployment rates increasing dualisation and persistently high rates of precarious employment and in-work poverty. As of 2018, as compared to the EU-average of 9 per cent in-work poverty, Romania registered almost 17 per cent. Self-employment in subsistence agriculture and unpaid family labour are nonetheless classified as employment in the national statistics (INS 2020). Existing data suggests that work in agriculture acts as a buffer against youth unemployment in the most deprived regions: youth unemployment is significantly lower in the counties of the Nord-East (e.g. Botoșani) and South region (e.g. Giurgiu) with sizeable agricultural sectors. However, income in these sectors remains very low and greater emphasis should be placed on the environmental impact of agriculture.

Better regulation of employment relations is necessary to minimise the number of precarious jobs that affect especially the population of the least developed regions. In particular, the situation of agricultural workers should be clarified and access to social insurance benefits and services should be better safeguarded. Flexicurity policies aimed at supporting people with fragmented working lives, with unemployment spells, and to smoothen labour market transitions remain important in the industrial and service sectors, but they fail to address the long-term precariousness of those employed in agriculture or other sectors with strong seasonal fluctuations, such as construction.

4. Improving national social policies

The most important redistributive income support-benefits should remain centralised and financed through the central budget: Minimum Guaranteed Income, means-tested support for low-income families with dependent children. Local and county-level governments in the least developed regions lack the resources needed to co-finance these programmes.

EU and SEE financing for pilot project and sectorial social policies, while important, cannot replace steady state

⁹ For a detailed critique of the Plan from an environmental point of view, see Greenpeace 2020, <https://mainesedecideazi.ro> (15.12.2020).

support, as regions with better human capital have enhanced capacities to obtain such financing, while the least developed regions often lose out. Similarly, there is a need to simplify and maintain the continuity of public subsidies (local and national) for NGOs providing social services. Reliance on philanthropy campaigns and corporate social responsibility contradicts the principles of social rights by transforming social benefits and services from compensations for social and economic injustice into charity, based on arbitrary criteria of deservingness (see Adăscăliței et al. 2020). Moreover, such forms of private financing are available only in the better developed regions (see World Bank 2020).

The cost-standards for social services should be regularly updated and services with no cost-standards should be analysed together with all major stakeholders in order to establish these standards. The distribution of responsibilities between national, county-level and local authorities should be better clarified, not only in terms of financing social services, but also in terms of administration and concrete social interventions (for example child-protection or services for victims of domestic violence). For example, the failure to implement the law on tackling social marginalisation (Law No.116/2002) could be largely attributed to the unclear distribution of tasks and responsibilities between local and county-level authorities.

5. Education

Romania developed in 2015 a National Strategy to Tackle Early School Leaving (2015–2020) that included several measures aimed to support the school participation of children from disadvantaged areas and low-income families, which included making more accessible after school programmes with the help of subsidies from the national budget, emphasis on early preschool education and care, as well as lifelong learning. No comprehensive evaluation of the implementation of the strategy was published by the time of writing. However, existing studies highlight the persistence of inequalities and, in the context of the transfer to online learning due to the SARS-COV-2 pandemic, the aggravation of inequalities concerning access to education due to the lack of digital equipment, Internet access, but also material conditions at home, with many families living in overcrowded households that hinder children’s participation in virtual classrooms (Florian/Țoc 2020).

In addition to the recommendations already put forth in the aforementioned strategy, one should add that schools integrating pupils with a high risk of school exclusion (dropouts) should receive additional support (financing and human resources paid from the central budget) and symbolic rewards from the school inspectorates, that acknowledge teachers’ efforts to ensure school participation and performance. For example, children’s participation in academic competitions enhances the ranking of teachers at various evaluations, whereas their success in preventing early school leaving of children from marginalised communities or low-income families remains unacknowledged.

Furthermore, in order to effectively promote school attendance in primary and secondary education, services such as after-school or extracurricular activities should be backed by financial support. Following H.G. 1064/2020, the value of scholarships in primary and secondary education, including social support for students from low-income families, should be topped-up by local governments as grants from the central national budget only provide a flat-rate 100 Ron (i.e. €20) per student per month. The National Council of Students from pre-tertiary education rightly criticised this measure (Caramihai 2021), as local governments from the least developed regions could hardly afford to supplement the national grant for students from their own budget

6. Enhancing access to EU and SEE funds to support local programmes

For the sustainability of services created and offered within EU or SEE projects, low-income local/county governments should be able to apply for subsidies from the national central budget. Experience has shown that otherwise successful projects of local/county-level governments, including public-private partnerships, fail to produce enduring outcomes as they suffer periods of interruption or even phase out altogether due to the difficulty of financing such projects from local or county-level budgets. The consequences of such disruptions are particularly severe when it comes to social, educational, and healthcare services provided for vulnerable groups.

Subsidies from the national central budget for technical assistance for project writing and implementation would be necessary to compensate for the scarcity of human resources in the least developed regions. Recent research on territorial disparities points out clearly that the most developed regions, as a rule, benefit to a larger extent from EU and SEE grants (Benedek et al. 2019; World Bank 2020).

3.2 CLUSTER-SPECIFIC RECOMMENDATIONS

Bucharest and dynamic urban regions

Increasing living costs and residential segregation in the most developed and dynamic urban regions pose the risk of deepening poverty among low-income segments of the population, in particular precarious workers in labour-intensive jobs, large families with dependent children, persons living with disabilities, and the elderly. Gentrification and the high costs of local transport have already affected the major cities of Romania. Furthermore, the quest to win the electoral support of the expanding urban “middle class” drives local public investments into infrastructural facilities that serve the interests of those slightly better-off (e.g. digitalisation, sport and leisure) while the needs of those facing poverty and the risks of homelessness remain off of the agenda (e.g. social housing, access to basic facilities such as water supply, affordable transport etc.). Tellingly, the final draft of the National Strategy for Housing (MDRAP 2019), launched in

November 2019 but not yet adopted by the government, points out that in 2014 in the three counties of the so-called growth poles of Cluj-Napoca, Timișoara, and Iași, no social housing was provided based on the criteria of marginalisation, as defined by Law 116/2002 (see MDRAP 2019: 158). Ensuring the well-being and social rights of precarious workers and vulnerable persons should be a priority on the social agenda of these municipalities and counties.

Romania's rural middle

Given the relative heterogeneity of counties included in this cluster, measures aimed at improving living standards and promoting social cohesion should take into account their specificity and promote local capacity building. Several counties within this cluster have high rates of severely impoverished Roma populations living in marginalised communities, especially in the rural areas of Transylvania. This calls for entwining socio-economic measures with programmes aimed at tackling ethnic discrimination and at valuing the multicultural heritage of these regions. Furthermore, seasonal labour migration, typical for most of these counties, while it supports the living standards of the population through remittances, drives instability on the local labour market. Fluctuations in the available labour force discourage long-term capital investment in such regions. Better protection of workers and improving public services could play a crucial role in generating more stability and promoting long-term, strategic planning. Many southern Romanian counties, that are the most exposed to the effects of climate change on agricultural production, also fall within this cluster. Investment in infrastructure is crucial to enhancing agricultural productivity in a sustainable way. The same applies for the rural areas of Central and Western Romania, with a heritage of animal husbandry that should be adapted to the environmental crisis. The low share of better-qualified employees should be a major concern for these counties, and young people should receive support in continuing their education for post-secondary or university degrees.

Regions with significant socio-economic challenges

The main distinctive features of these counties as compared to Romania's rural middle reside in higher school dropout rates and stronger external migration, coupled with internal outmigration towards more dynamic regions. In addition, these counties suffer from political disengagement as turnout at local elections is much lower there. Our data suggest that these counties experienced shrinkage at a faster pace than other regions. Hence, they face difficulties in developing their local economies, tackling social exclusion, and responding to the complex care needs of children and elderly from transnational families. Social services largely subsidised from the central budget could significantly enhance their possibilities to ensure school participation and the well-being of vulnerable groups. Furthermore, the majority of counties from this cluster bear the heritage of heavy industry and pollution, while their service sectors have remained underdeveloped in a process reinforced by labour out-migration, in particular that of better-qualified workers. However, these counties could build on the fact that their economies are

more diverse and less grounded in agriculture, as compared to the southern parts of the country. To overcome structural disadvantages, targeted national programmes would be necessary that combine financial support with technical assistance based on case-specific analysis, as territorially these counties are scattered throughout various regions, not only in the North-East.

Table 3
Summary of cluster-based recommendations along the social dimension

Bucharest & other dynamic urbanised regions

- Ensure the well-being and social rights of precarious workers and vulnerable people (people living with disability, the low-income elderly, large families with dependent children);
- Limit gentrification and better regulate the housing market;
- Invest in affordable public housing and desegregated social housing;
- Invest in subsidised public services: local transport, child-care, home-care services for the elderly and those living with disabilities, emergency social services for the most vulnerable (homeless people, victims of domestic violence, transnational migrants with unclear legal status etc.).

Romania's rural middle

- Given the heterogeneity of this cluster, bottom-up consultations and local capacity building are crucial for the development of these counties, alongside national redistributive policies;
- Labour outmigration to regions with better wages could be addressed by improving the quality of public services, affordable housing, and enhancing job stability;
- Investment in sustainable agriculture is necessary in order to limit the effects of climate change that affect Southern Romania more severely;
- Animal husbandry in Central and Western Transylvania should be adapted to the environmental crisis;
- Active support for young people to continue their education towards secondary and tertiary degrees, to avoid youth unemployment and under-employment.

Rural and old industrial regions with significant socio-economic challenges

- These regions suffer from higher rates of early school leavers (dropouts), stronger external migration and stronger outmigration to other regions of Romania, combined with political disengagement and the heritage of polluting industries;
- Redistribution from the central budget is necessary to implement targeted policies that combine financial support with technical assistance based on case-specific analysis;
- Shrinking localities with high outmigration rates bear the burden of high old-age dependency rates; consequently, redistribution from the national level is also necessary in order to address the complex needs of the left behind elderly;
- Subsidised early education, after-school and extracurricular educational programmes are necessary to counter dropping out of school and promote upwards social mobility for the young generations.

Source: Authors' illustration.

3.3 ROMANIA AND EUROPEAN SOCIAL AND ECONOMIC PRIORITIES FOR 2019–2024

Romania is usually classified among the EU-optimist countries, trusting the EU as an institution more than its own government. According to the latest Standard Eurobarometer in summer 2020, 54 per cent of Romanians trust the EU (significantly higher than the 43 per cent EU average), whereas only 34 per cent trust their government (compared to the 40 per cent EU average) (EC 2020a). However, when it comes to more specific questions, such as the EU common energy policy and trade policy, we can see that although above 60 per cent of Romanians support both, these percentages remain much lower than the EU average, which is around 75 per cent (EC 2020a). More in-depth data analysis would be necessary to explain these results, but it is plausible to believe that certain segments of the Romanian population have experienced negative effects due to these policies.

As discussed above, although Romania as a whole has benefitted from EU-integration in social and economic terms, territorial disparities within the country grew (eg. EC 2020b) and also took some new forms. Inequalities in local educational capital shaped the successful absorption of EU funds, while fixed capital investment targeted the most developed regions. Transnational labour outmigration improved the living standards of many families that faced technical unemployment in the years of post-communist deindustrialisation, but kept these regions dependent on remittances sent home, leaving local public services underfinanced to meet the various needs of the population left at home, such as public transportation, care needs, early preschool education, extracurricular educational programmes etc. Subsistence agriculture in the poorest regions suffered a decrease in its already modest market capacity in the face of new trading regulations and competition with low-price import products filling up the shelves of supermarkets. However, EU subsidies for farmers and regulations over GMOs have supported the long-term revival of the agricultural sector.

Policy unpredictability, rigid administration with complicated procurement regulations, unclear distribution of responsibilities between the national, county and local levels, and the lack of regional administrative capacity, remain bottlenecks for Romania when it comes to using the opportunities provided by EU regional cohesion policies (eg. EC 2020b).

For the 2019–2024 period, the European Commission set six priorities: Green deal; Digital age; Economy that works for people; Stronger Europe in the world; Promoting a European way of life; New push for European democracy. While the social and economic dimensions penetrate all of them, the first three priorities can be more directly connected to the issue of social and economic regional disparities in Romania, while the last three relate to the cultural and political milieu. With respect to the Green deal, Romania remains a laggard in terms of circular economy, renewable energy, and recycling. Organic farming accounts for only 2.9 per cent of the agricultural land in Romania, as compared to 8.5 per cent in the EU on average. As the EC European Semester Romania

country report 2020 rightly mentions, 35 per cent of Romania's greenhouse gas emissions come from four counties (Dolj, Galați, Prahova, and Mureș) with important economic sectors using fossil fuel or energy-intensive manufacturing. They need to be significantly restructured in order to meet the environmental goals of the EU, and support from the Just Transition Fund of the EU becomes crucial to safeguard the welfare of those employed in these sectors (eg. EC 2020b: 83).

The Social Europe agenda has been approached by the subsequent governments of Romania in a superficial way ever since 2002 (when Romania issued its first National Action Plan for Social Inclusion under the Lisbon strategy), mostly by paying lip service to the EU. The level of social spending remains among the lowest in the EU, despite economic growth and high rates of child poverty. In 2019, only one fifth of children living in low-income households could avoid poverty because their families received social transfers, as compared to 40 per cent in the EU on average (Eurostat 2020; authors' calculations). Poverty reduction via welfare transfers varies significantly between regions: as of 2019, it was as low as 5.3 per cent in the North-East region and 9.7 per cent in South-West Oltenia, while in the North-West region it reached 25 per cent and in Bucharest 52 per cent. One of the few domains in which Romania fares slightly better is providing social protection for wage earning parents with children below the age of three, via maternity and child care leave benefits, and also incentives to return to work early. In contrast, precarious seasonal workers and self-employed persons in subsistence agriculture have difficulty accessing social protection via the public insurance systems, but also via means-tested, targeted social transfers. The high rates of in-work poverty (16 per cent as compared to the EU-average of 9 per cent) are mostly explained by the large share of precarious workers in agriculture (eg. Adăscăliței et al. 2020: 8–9). The gender pay gap in Romania is one of the smallest in Europe, but the employment rate has remained significantly higher for men, especially when we exclude women employed as unpaid family workers. With these facts in mind, the goals of the European Pillar of Social Rights (2017) seem rather far-fetched for Romania.

3.4 CONCLUSION: MAINSTREAMING INEQUALITIES

What should be changed in European regional policies to effectively reduce social and economic disparities within Romania is not only a technical question of policy administration, but also a broader political question of bringing into the center of attention some of the major sources of inequalities in Romania throughout the regional cohesion policies. Discrepancies in terms of productivity and income between the agricultural sector and manufacturing industries should not be concealed behind a much-discussed rural-urban divide, but rather addressed in relation to sustainable, green production, and the prevalent forms of employment in these sectors. Support for agriculture and green jobs should also enhance labour regulation and collective bargaining, safeguard access to social insurance and subsidised services.

Child poverty and the prospects of upwards social mobility should not be only framed as a problem of low income, but also as a historical outcome of past injustices suffered by peasant families, the Roma, and other ethno-cultural minorities. Dropping out of school and low educational credentials should be seen as intrinsically linked to the enduring underfinancing of public education and the scarcity of qualified personnel for inclusive education that compensates for the disadvantages of socio-economic deprivation. From the administrative point of view, local capacity building and regionalisation should receive greater weight considering the significant economic inequalities between regions that make national redistribution necessary.

ANNEX A:

Indicator documentation

Indicator	Definition	Source
Demographic dependency ratio	Ratio of children (0–14 years) and older persons (>= 65 years) to the working age population (20–64 years)	Institutul National de Statistica 2020
Wage earners	Ratio of wage earners to the population aged 20–65 in per cent	Institutul National de Statistica 2020
Knowledge workers	Share of employees in knowledge industries in per cent	Institutul National de Statistica 2020
School dropouts	Proportion of school leavers without graduation in per cent	Institutul National de Statistica 2020
Life expectancy	Life expectancy at birth in years	Institutul National de Statistica 2020
Income	Average monthly nominal gross earnings in LEI	Institutul National de Statistica 2020
Family doctors	Number of family doctors per 100,000 inhabitants	Institutul National de Statistica 2020
Water supply	Proportion of the population with access to public water supply in per cent	Institutul National de Statistica 2020
Voter turnout	Average voter turnout at regional elections in 2016 and 2020 in per cent	Prezență vot. Serviciul de Telecomunicații Speciale 2020
Internal migration	Net internal migration balance per 1,000 inhabitants	Institutul National de Statistica 2020
External migration	Number of emigrants with permanent change of residence per 1,000 inhabitants	Institutul National de Statistica 2020

ANNEX B: Methodological notes

The spatial typology of Romania was computed in a combined statistical procedure consisting of a principal component and a cluster analysis. This procedure involves three steps. In the first step all variables were standardised by z-score transformation. Then, since many of the 11 selected disparity indicators are potentially correlated, a principal component analysis was conducted in order to reduce complexity and to avoid any potential bias caused by multicollinearity. The principal component analysis merges the initial selection of indicators to a lower number of uncorrelated “super-variables”, so-called principal components. The amount of principal components chosen for the cluster analysis explains more than 90 per cent of total variance in the data. In the final step, a hierarchical cluster analysis using the Ward method was conducted. In this procedure, the initial observations are hierarchically merged using a minimum variance criterion. The point where to stop the clustering procedure, and hence the resulting number of clusters, is chosen by the data analyst. Several solutions have been tested and discussed within the research team. The final typology of four clusters was selected based on its intuitiveness and relevance to identify spatial disparities in Romania.

ANNEX C: Indicator value ranges

Indicator	Year	Value range from ... to ...
Demographic dependency ratio (Ratio of children [0–14 years] and older persons [\geq 65 years] to the working age population [20–64 years])	2020	42.2 (Gorj) to 55.2 (Teleorman)
Wage earners (%)	2019	18.1 (Vaslui) to 75.9 (Bucharest Municipality)
Knowledge workers (%)	2019	2.7 (Bistrita-Nasaud) to 12.7 (Bucharest Municipality)
School dropout rate (%)	2017	1.5 (Bihor) to 6.5 (Sibiu)
Life expectancy (in years)	2019	73.7 (Tulcea) to 80.8 (Valcea)
Income (in LEI)	2018	3,365 (Bistrita-Nasaud) to 6,057 (Bucharest Municipality)
Family doctors (Number of family doctors per 100,000 inhabitants)	2018	36.3 (Ilfov) to 99.2 (Bucharest Municipality)
Water supply (%)	2018	34.2 (Teleorman) to 98.5 (Braila)
Voter turnout (%)	2016/2020	35.0 (Bucharest Municipality) to 59.8 (Giurgiu)
Internal net migration (Net internal migration balance per 1,000 inhabitants)	2015–2019	-44.8 (Vaslui) to 59.9 (Iasi)
External net migration (Number of emigrants with permanent change of residence per 1,000 inhabitants)	2015–2019	1.7 (Harghita) to 10.0 (Bucharest Municipality)

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The inability of democratic actors and procedures to provide rapid responses to social-economic issues has led to widespread disenchantment of political and democratic systems across Europe. As the benefits of economic growth and increasing employment have been unequally spread, therefore creating regional disparities, perceived and experienced social-economic inequalities and injustices have deepened and played into the hands of right-wing populists. But what are the answers to these challenges? How should policies in the EU-member states and the EU tackle regional socio-economic disparities? With the project “Unequal Europe – Tackling Regional Disparities in Europe”, the Friedrich-Ebert-Stiftung and the Foundation for European Progressive Studies (FEPS), put forward progressive policy recommendations based on the disparity reports for several European countries for both the respective national and European level.

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